

COMMENTARY

NOVEMBER 7, 2009

SMART MONEY SERIES: JOHN HATHAWAY, TOCQUEVILLE GOLD FUND 10-Year Average Annual Return of 19.29%, Beating Benchmark by 1,000 Basis Points

John Hathaway, Senior Managing Director at Tocqueville Asset Management (www.tocqueville.com), has the notable honor of being one of the very first institutional money managers a decade ago to have identified the ensuing gold bull market. Moreover, he is also one of the most eloquent commentators on the investment merits of gold.

Back in 1998, when gold was trading under US\$ 300 and no one cared about the yellow metal (he says it was ‘the Rodney Dangerfield of investment ideas’), John Hathaway and Tocqueville Asset Management identified the significant, generational investment opportunity in gold, and since then, their investors have been well rewarded.

Over the past 10 years (through September 30th), the Tocqueville Gold Fund (TGLDX), posted an amazing average annual return of **19.29 % per annum**, besting the Philadelphia Gold & Silver Index (XAU) by more than *1,000 basis points*, and beating the S&P 500 by a staggering *1,900 basis points*. During that same time, the XAU returned 8.98% per annum, and the S&P returned -0.15%. Year-to-date through November 6th, the fund is up an impressive 78%.

Investors who may not know John Hathaway, or who are new to gold investing, would be served well to read some of John’s writings. Anomalous Investments’ vintage favorites include, from November 2003, *Numeraire to Saucisson?*, and from November 2004, *Beardsley Ruml’s Road to Ruin*. A more recent piece (May 2009) is *A Surplus of Gullibility*. These essays, and others, can be found at: (http://www.tocqueville.com/brainstorms_archive.html)

Because of John’s vision, insight, and historical performance, AI reviews the holdings of the fund on a quarterly basis in search of small, undiscovered companies. Below is a snapshot of the holdings as of September 30, 2009.

TOCQUEVILLE GOLD FUND: PORTFOLIO HOLDINGS AS OF SEPTEMBER 30, 2009							
No.	Name	Symbol	US\$	No.	Name	Symbol	US\$
1.	Gold Bullion Coins	-	98,786,550	25.	Comaplex Minerals	CXMLF	13,019,651
2.	IAMGOLD	IAG	59,590,084	26.	Semafo	SEMF	12,997,712
3.	Randgold Resources	GOLD	58,224,016	27.	Pan American Silver	PAAS	12,812,744
4.	Ivanhoe Mines	IVN	57,409,910	28.	Banro Corp.	BAA	12,371,741
5.	Osisko Mining	OSKFF	50,824,265	29.	New Gold	NGD	12,119,297
6.	Goldcorp	GG	47,154,179	30.	Electrum Ltd.	-	11,735,091
7.	Franco Nevada	FNNVF	37,672,845	31.	Allied Nevada	ANV	11,061,212
8.	Silver Wheaton	SLW	34,460,516	32.	Minefinders	MFN	10,620,535
9.	Andean Resources	ANDPF	32,001,314	33.	AngloGold Ashanti	AU	8,152,000
10.	Royal Gold	RGLD	31,544,484	34.	International Tower Hill	THM	8,042,023
11.	Newmont Mining	NEM	31,465,496	35.	Aquiline Resources	AQLNF	5,479,536
12.	Comp. Minas Buenaventura	BVN	30,055,256	36.	East Asia Minerals	EAIAP	4,176,398
13.	Kinross Gold	KGC	23,090,233	37.	Endeavour Financial	ENDEF	3,773,408
14.	Eldorado Gold	EGO	23,019,556	38.	Detour Gold	DRGDF	3,459,954
15.	Alamos Gold	AGIGF	23,008,679	39.	GovEx Uranium	-	3,428,775
16.	Ivanhoe Australia	IVHOF	20,415,093	40.	Wits Gold	WIWTY	3,344,649
17.	Gold Fields	GFI	18,940,779	41.	Ivanhoe Nickel & Platinum	-	2,933,332
18.	European Goldfields	EGFDF	18,770,644	42.	Orezone Gold	OZN	1,182,294
19.	Agnico Eagle Mines	AEM	17,098,200	43.	Panoramic Resources	PANRF	338,889
20.	Gold Resource	GORO	16,910,858	44.	Brilliant Mining	-	83,185
21.	Sino Gold	SIOGF	16,700,606	45.	GovEx IP Holdings	-	71,225
22.	Romarco Minerals	RTRAF	15,809,630	46.	US Gold	UIXG	18,746
23.	Centamin Egypt	CELTG	15,063,867	47.	Harmony Gold	HMY	11
24.	Red Back Mining	RBIF	13,989,025	TOTAL			933,228,493

Note: Symbols above are US symbols; Primary company listing may be on a foreign exchange; Amounts include warrants. Source: SEC Disclosures, Fund Fact Sheet.

Reviewing the holdings in the table above, a few items are particularly noteworthy:

- Gold bullion, in the form of coins, is the largest investment in the fund, with more than 10% of total assets.
- Royalty companies figure prominently, representing 3 out of the Top 10 holdings. These companies are Franco Nevada, Silver Wheaton and Royal Gold.
- Well-known, and widely-held ETFs, such as the *SPDR Gold Trust (GLD)*, *I Shares COMEX Gold Trust (IAU)*, *Market Vectors Gold Miners ETF (GDX)*, and *Power Shares DB Gold Fund (DGL)* are noticeably absent.
- The well-known & highly successful Friedland family, Robert and Govind, are well represented in the portfolio. Holdings include Ivanhoe Mines, Ivanhoe Australia, GoviEx Uranium (private), Ivanhoe Nickel & Platinum (Ivanplats) and GoviEx IP Holdings.

In the smaller capitalization (junior) space, which is where AI focuses the majority of its time, a few items are also noteworthy.

- Romarco Minerals, which we began following more three years ago (May 2006), is a large holding in the Gold Fund at No. 22. Romarco, which is up more than 500% year-to-date in 2009 based on positive developments at its Haile Gold Mine project in South Carolina, was discovered by AI after having combed through SEC filings and seeing the company listed as a significant holding in the portfolios of two highly successful, institutional money managers. At that time, Romarco had a market capitalization of less than US\$ 25 million. Today, its market capitalization is north of US\$ 350 million.
- Advanced-stage development companies, with large in-ground resources, also figure prominently. These companies, which offer significant leverage to rising gold prices, include Osisko Mining, Andean Resources, Centamin Egyt, Comaplex Minerals, International Tower Hill and Detour Gold.

With the gold price touching US\$ 1,100 per ounce earlier this week, gold is no longer the “laughable outcast of the investment community” as it was in 1998.

Mr. Hathaway notes in the last sentence of his May 2009 essay, “unless the macro economic outlook undergoes a miraculous change for the better, it would seem that the prospects for gold and gold mining shares remain excellent”.

AI agrees.

Disclosure: AI management own shares in Romarco Minerals and Allied Nevada.

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